



# California Initiative Program

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- **AIM Overview**
- California Initiative Program
- Partners of The California Initiative Program

# ***CalPERS Target Asset Allocation Profile***

## **Fund Assets - \$145 Billion**

58% Public Equities

26% Fixed Income

**7% Private Equity**

9% Real Estate

# ***AIM History***

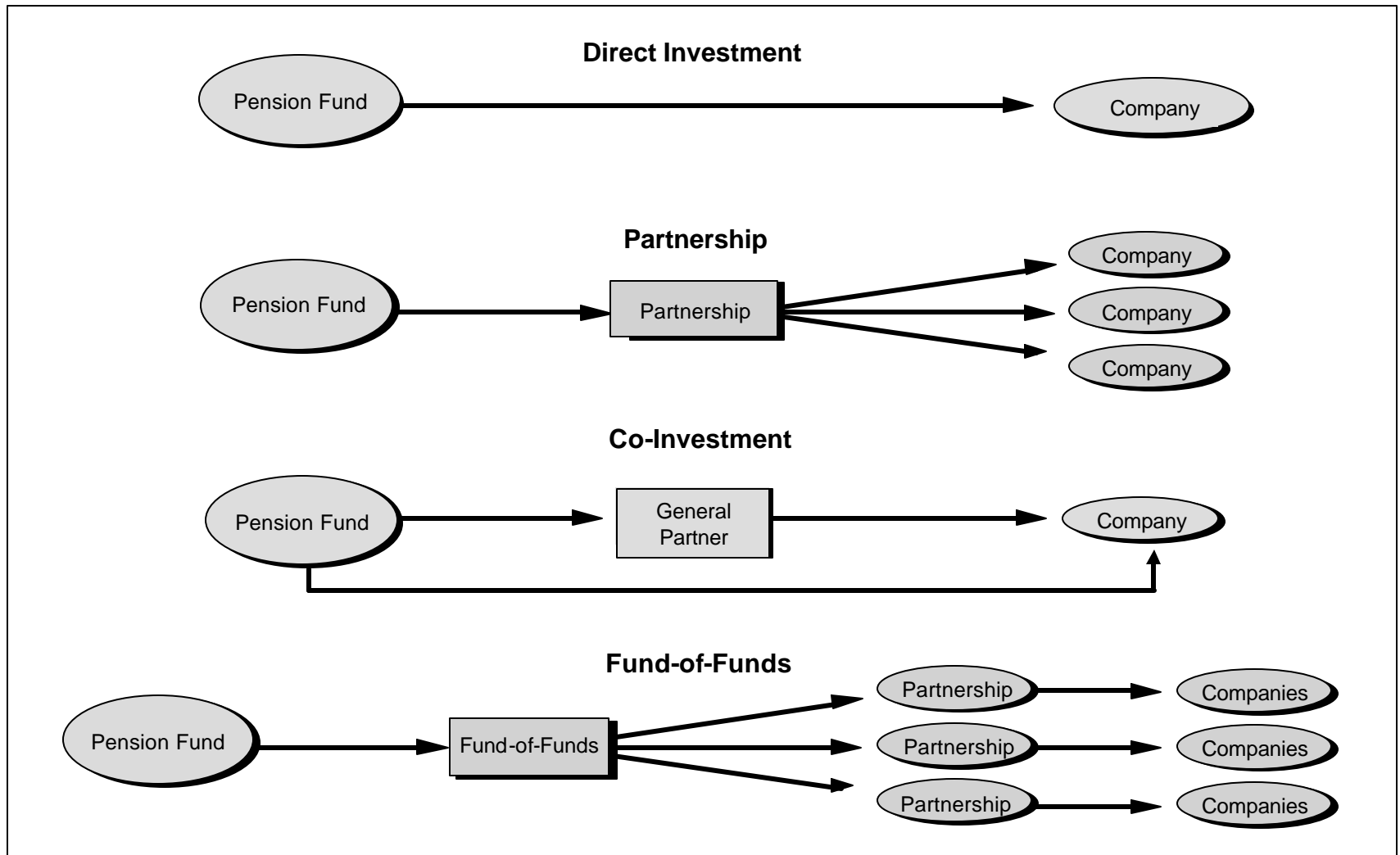
## General Characteristics

- Started in 1990
- Current Asset Allocation Target: 7%
- Portfolio Size - \$19.6 Billion in active commitments
- Current Market Value: \$6.2 Billion
- Young portfolio (Average age is 3.7 years)
- Lots of “dry powder” to be deployed at trough in cycle

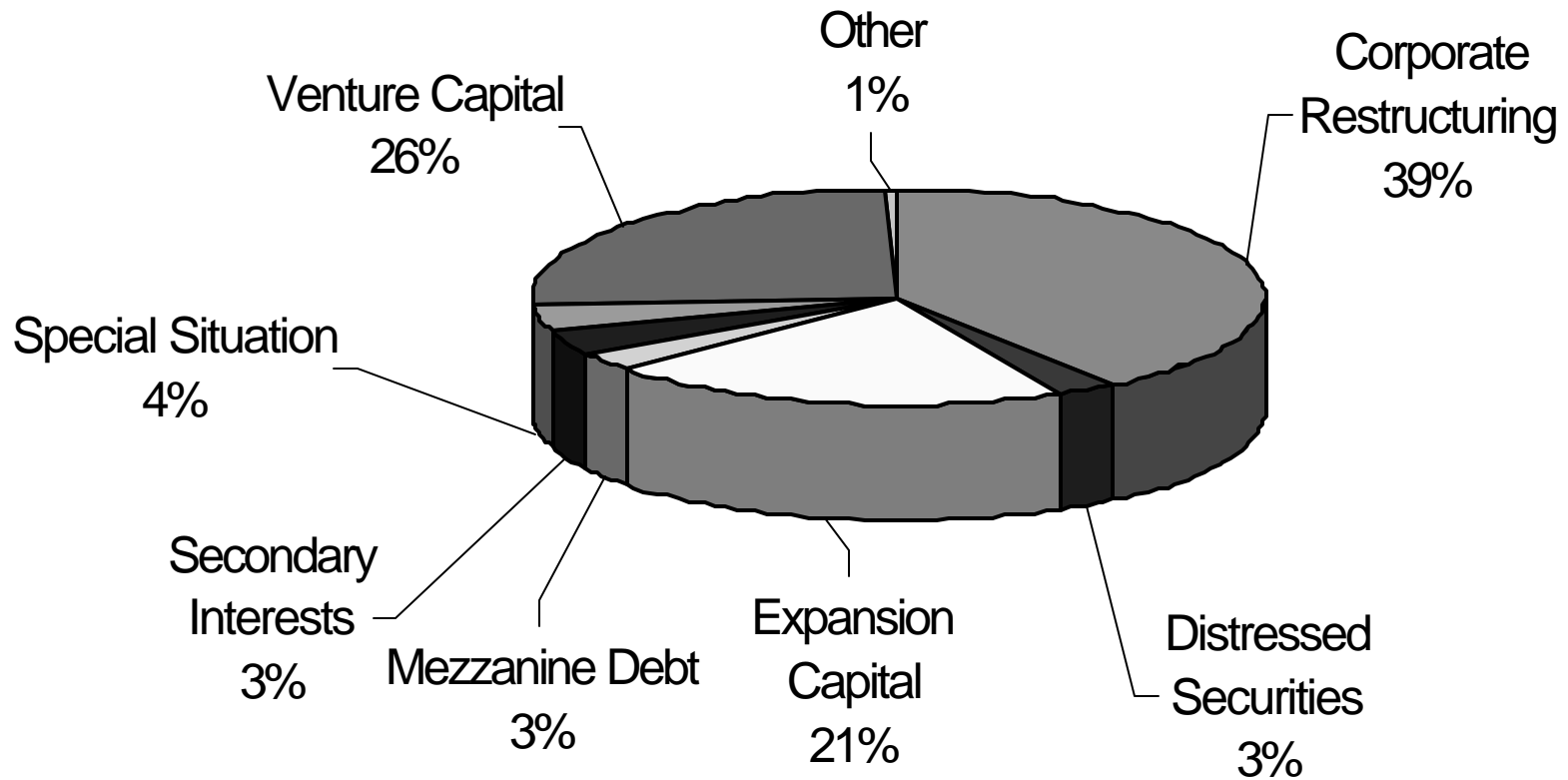
## Performance Through 12/31/02

- Realized Gain Since Inception: \$4.5 Billion
- Return of Capital: \$3.1 Billion
- Cash on Cash Multiple: 2.4x
- Return on Fully Realized Investments: 20.6%

# Investment Structures

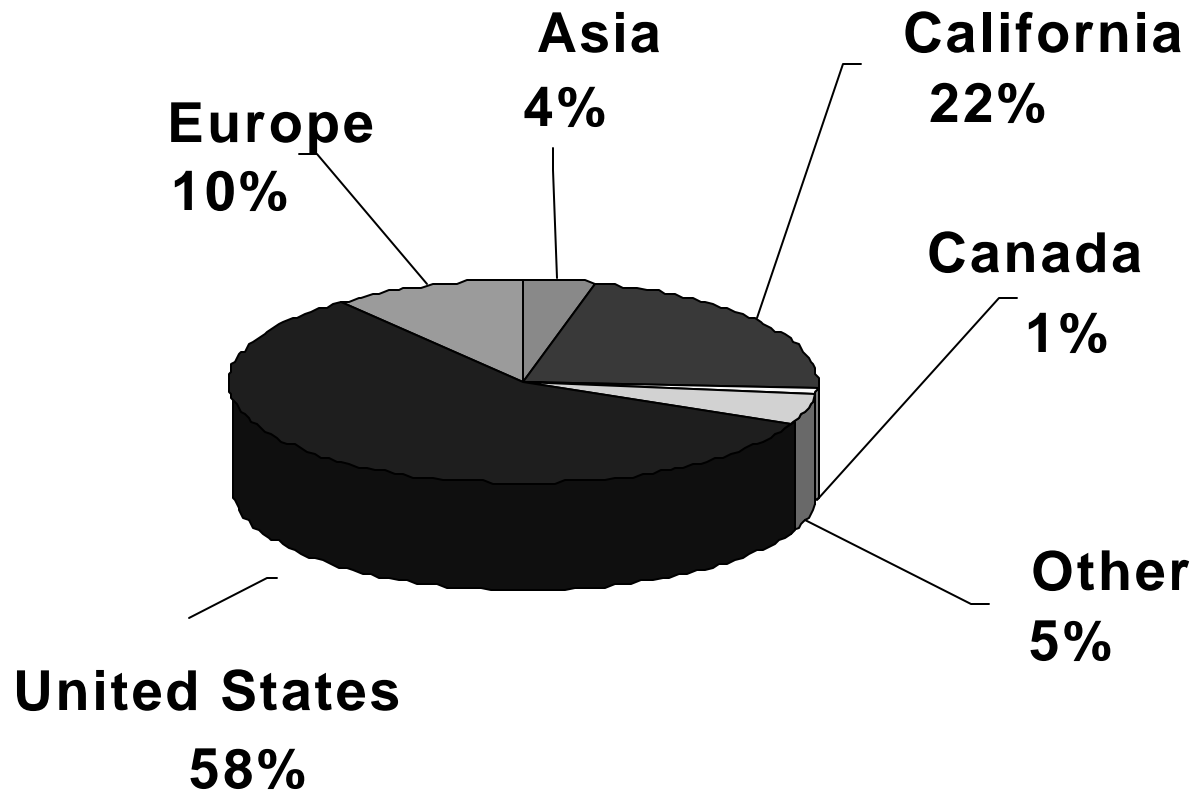


# Portfolio Diversification by Style



As of June 30, 2002

# ***Portfolio Diversification by Geography***



As of June 30, 2002

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# Program Overview and Mission Statement

In May 2001, the CalPERS Investment Committee approved an allocation of **\$475 million** to the California Initiative Program. In total, 10 private equity firms will invest the capital for this new program.

***The California Initiative will invest in traditionally underserved markets primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital. These opportunities should offer attractive risk-adjusted returns commensurate with their asset class.***

# UNTAPPED ASSETS IN UNDERSERVED AREAS PROVIDE ATTRACTIVE INVESTMENT OPPORTUNITIES

## Urban/Inner city



- Strategic location near business centers, transportation, etc.
- Large, diverse labor pool
- Attractive local consumer market demand
- Government incentives
- Favorable access to real estate

## Rural



- Inexpensively priced land/office space
- Availability of full- and part-time, educated workers
- Lower cost of living environment
- Government incentives
- Recent technology and infrastructure developments that allow for convenient communication and access to information

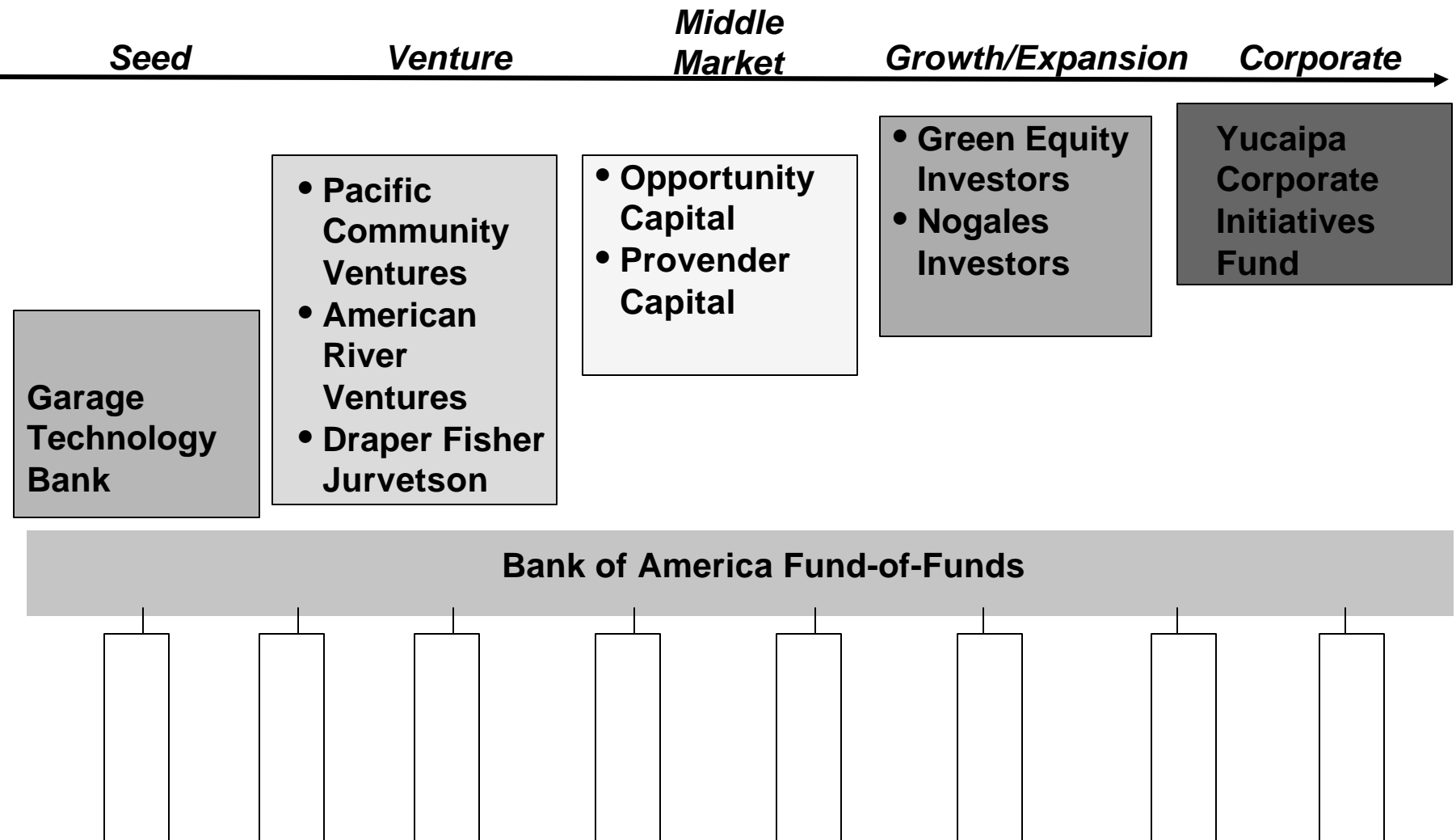
Source: Michael Porter, "The Competitive Advantage of Inner Cities," HBR, 95310; "The Rise of the Urban Entrepreneur," *Inc.* magazine, May 15, 1995; company materials; interviews

# The California Initiative Network



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# CAPITAL IS BEING DEPLOYED ACROSS THE SPECTRUM OF PRIVATE EQUITY





# CA INITIATIVE INVESTMENT MANAGERS HAVE EXPOSURE IN NORTHERN, CENTRAL AND SOUTHERN CALIFORNIA








<u>Selected Managers</u>	<u>CA Office Locations</u>
American River Ventures	Sacramento
Bank of America*	SD, LA, SF
Draper Fisher Jurvetson Frontier	Central CA, Sacramento
Nogales Investors	LA
Garage	Palo Alto
Green Equity Partners	LA
Opportunity Capital	Fremont
Provender Capital	LA
Pacific Community Ventures	SF
Yucaipa Companies	LA, SF

# COMMITMENTS TO CALIFORNIA INITIATIVE PARTNERS

Partner	CI fund allocation \$ Millions	Investment focus
<i>American River Ventures, L.P.</i>	10	Venture capital in Sacramento and Central California
<b>Bank of America</b> 	100	Fund-of-funds targeting funds focused on underserved markets
 <b>Draper Fisher Jurvetson Frontier</b>	20	Venture capital in under-represented regions of California such as the Central Coast, Sacramento and other areas in the Central Valley
<b>Nogales Investors</b>	25	Growth/expansion investment opportunities
<b>Garage Technology Bank</b>	10	Leverages its entrepreneur network and education program to provide seed capital to start-ups

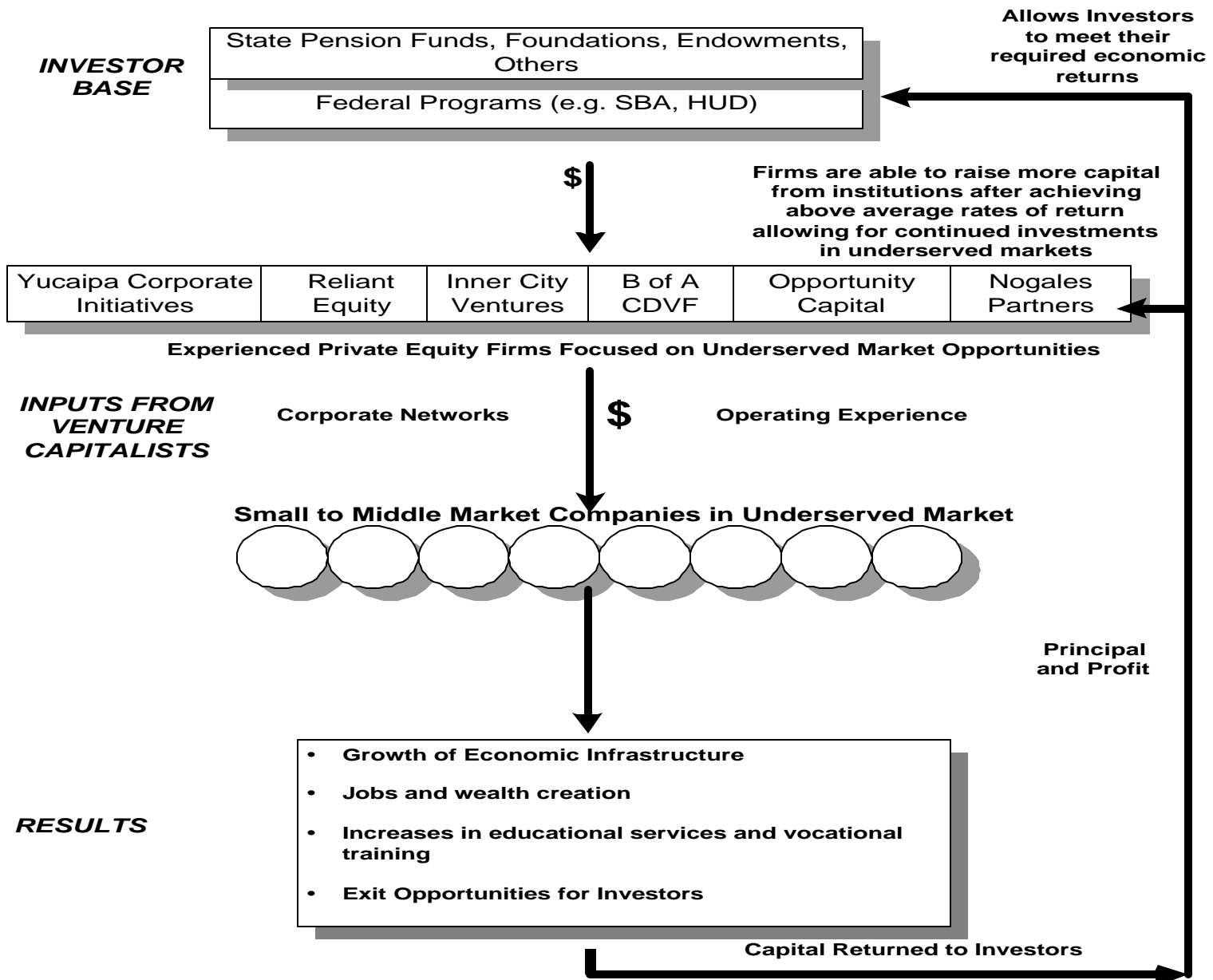
# COMMITMENTS TO CALIFORNIA INITIATIVE PARTNERS

(CONTINUED)

Partner	CI fund allocation \$ Millions	Investment focus
 <b>Green Equity Investors</b>	50	Buyout/expansion stage investment opportunities in consumer services
 <b>Opportunity Capital</b>	25	Invests in expansion / buyout capital in middle markets throughout California
<b>Provender Capital</b> 	25	Focuses on urban-oriented and under-sponsored opportunities
 <b>Pacific Community Ventures</b>	10	Provides business advisory services and capital to companies in economically challenged, underserved areas
 <b>Yucaipa Companies</b>	200	Seeks corporate partnerships to relocate or expand their operations in underserved areas



# The Deployment of Investment Capital in Underserved Markets



## Investment Partners for California Initiative Program

<b>Fund Name</b>	<b>Commitment</b>	<b>Contact</b>	<b>Phone</b>	<b>Focus</b>
Yucaipa Corporate Initiative Fund, LP	\$200mm	Ed Renwick	310-228-3500	Corporate relationships and joint ventures
Green Equity Partners California Opportunity Fund, LP	\$50	Peter Nolan	310-954-0450	Consumer services, middle market
Draper Fisher Jurvetson Frontier, LP	\$20	Tim Draper Scott Lenet David Cremin	916 444-9000	Venture capital for Sacramento, Central Valley, North Bay, and East Bay
Nogales Investors Fund, LP (Previously known as California Embarcadero Fund, LP)	\$25	Luis Nogales	310-276-7439	Consumer related businesses (retail, media, distribution)
Opportunity Capital Partners Fund IV, LP	\$25	Peter Thompson	510-795-7000	Middle-market tech, mfg, media
Provender Opportunities Capital Fund II, LP	\$25	Frederick Terrell	212-271-8878	Middle market multistage - financial services, tech, media
Bank of America California Community Venture Fund, LLC	\$100	Sanjiv Shah	312-828-6378	Fund-of-Funds for groups targeting underserved markets primarily in California
American River Ventures Fund, LP	\$10	Corley Phillips	916-780-2828	Venture capital for Sacramento, Central Valley, East Bay, and North Bay areas
Garage California Entrepreneurs' Fund, LP	\$10	Guy Kawasaki	650-354-1800	Seed venture capital
Pacific Community Ventures	\$10	Penelope Douglas	415-442-4300	Small enterprises in low to moderate income areas of Northern California